



Agricultural Council
of California

October 30, 2015

The Honorable Mary D. Nichols, Chair
California Air Resources Board
1001 I Street
Sacramento CA 95812

RE: Draft Short-Lived Climate Pollutant Reduction Strategy

Dear Chair Nichols:

Agricultural Council of California (Ag Council) appreciates the opportunity to submit comments based on the California Air Resources Board's (CARB) Draft Short-Lived Climate Pollutant (SLCP) Reduction Strategy (Draft Strategy).

Ag Council is a member-supported organization advocating for more than 15,000 farmers across California, ranging from farmer-owned businesses to the world's best-known brands. Ag Council works tirelessly to keep its members productive and competitive, so that agriculture can remain California's number-one industry and members can continue to produce the highest quality food for the entire world.

While we appreciate the voluntary approach for existing dairies taken on dairy methane reduction strategies, we do have some significant concerns with the Draft Strategy. It is important to note that no one strategy will work for all dairies. California's dairy industry is considerably diverse, with farm scales, management systems, land types, business structures, and regulatory requirements varying significantly from region to region. State investment should be designed to benefit dairy operators across many contexts, helping all dairies prepare for the challenges ahead.

The Draft Strategy includes a stated focus on alignment of financial incentives with improved manure management practices. Ag Council supports the inclusion in the Draft Strategy of funding \$100 million each year for the next five years, at a minimum, that will be required to help increase methane digester installation rates across the state.

New and Expanding Dairies

The regulatory approach proposed for "new and expanding" dairies is concerning and may have broad implications for all dairies in California. We are particularly concerned about the potential loss of greenhouse gas (GHG) credits for the entire sector if new and expanding dairies are regulated, which would have far-reaching implications for already strained dairy digester economics by eliminating a significant revenue stream. ARB should consider whether voluntary approaches could be more effective in achieving reductions in new and expanding facilities without causing leakage of California dairies to other states.



According to the Draft Strategy, CARB intends to develop a regulation by 2018 to require avoiding or capturing methane from manure management at new and expanded dairies. To encourage installation of methane digesters on existing dairies, Ag Council recommends that the Draft Strategy explicitly state that methane digesters installed on existing dairies after the 2018 regulations will still qualify to generate compliance offset credits under the Compliance Offset Protocol Livestock Projects, as long as they do not accompany an expansion of the dairy. This will avoid any confusion interpreting the regulation as applying to existing dairies within the state. In particular, since the footnote on Page 45 refers to “new projects” as opposed to “new dairies,” this statement is necessary to ensure that the intended regulation does not apply to existing dairies.

Target for Existing Dairies

Ag Council is also concerned about the aggressive targets for manure methane reduction for existing dairies. Reductions of 20 percent would be difficult to achieve under perfect circumstances, let alone under the imperfect situation that currently exists as it relates to dairy digester development in California. Significant economic barriers exist, as identified in the Draft Strategy, which have precluded large-scale adoption of dairy methane reduction strategies.

The dairy digester industry in California is still in its infancy and a number of factors have contributed to a low installation rate of methane digesters in California since the Compliance Offset Protocol Livestock Projects took effect in 2011. Digester projects are expensive with high equipment and installation costs. There are conflicting permitting and other regulatory requirements in the state, including air quality standards for Best Available Control Technologies (BACT) requirements for NOx that have prevented some existing methane digesters from upgrading engines or expanding digesters. The lack of, or difficulty accessing net metering in some areas of the state and with some energy providers has led to difficulties as well as variable technological and operational successes associated with methane digesters.

The offset credit is a critical investment tool and its removal will erode investor confidence in agricultural offsets in general and will impact the financial viability of these projects. Currently, compliance offset credits in the California market represent a significant potential portion of revenue from dairy digesters; therefore, removing this revenue stream before digesters are installed could undermine the SLCP plan and make installations more costly to dairy owners and to the state.

Coordination and Incentive Funding

While Ag Council remains concerned about the proposed targets, we are committed to working toward voluntary wide-scale adoption of methane reduction projects in California. A number of issues will need to be addressed by CARB, and other agencies must help facilitate wide-scale adoption and development in California.



Our observations include the following:

- Extensive greenhouse gas reduction fund (GGRF) and other incentive funding will need to be provided to enhance the economics of these projects and encourage their adoption. The \$500 million over 5 years proposed by CDFA represents a good start. There must be greater efficiency in how those funds are provided to project developers in order to expedite adoption and meet reasonable reduction targets.
- Energy contracts, power purchase agreements (PPAs) and other off-take agreements for energy and transpiration fuel remain elusive and obstacles remain. Additional steps will need to be taken to ensure long-term contracts are available for the energy procured by these projects to enable project financing.
- Interconnection barriers continue to limit project development for both electric energy and biomethane injection projects. ARB and the California Public Utility Commission (CPUC) will need to ensure Investor-Owned Utilities are prepared to work with, not against, project developers to efficiently and cost effectively interconnect and facilitate project development.

Additional Research

There still remain many data gaps in our efforts to understand and evaluate potential mitigation measures for SLCPs. More research is needed to fully determine the viability of these strategies in California and assess their associated costs and benefits.

- Adoption of manure “scrape” systems may be an option for some dairies. Immediate research is necessary to quantify the GHG reduction potential of moving from flush to scrape systems and potential impacts to water quality and air quality for such conversions. If justified by research, a reduction protocol will need to be approved to facilitate and incentivize adoption. Appropriate incentive funding should also be provided once the cost and benefits are more fully understood.
- Improved separation of manure solids may also provide quantifiable methane reduction. Immediate research to fully understand and estimate that potential will be needed. Furthermore, a reduction protocol should be approved if justified by research.
- Additional research will also be necessary to fully monetize the benefits of manure composting and digesting. Fertilizer and amendment products and markets must be developed to realize this potential revenue stream and enhance projects’ economics.
- Enteric emission reduction targets are also of concern to the dairy sector. The industry has made great strides over the past several decades to improve feeding and breeding to greatly reduce the GHG footprint of each gallon of milk produced in California. The dairy sector is already highly efficient and further reductions in enteric emissions will be difficult to achieve and will also require significant research.



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Ag Council continues to recognize the importance of reducing greenhouse gases in California and elsewhere, and that reductions of SLCP provide an opportunity to “jump start” those efforts. We believe it is imperative to be engaged to ensure we remain the number one agricultural state while we continue to work to reduce our environmental footprint.

We appreciate your consideration and the opportunity to comment. Should you have any questions or need anything further from us, please feel contact Rachael O’Brien at (916) 443-4887 or via email at Rachael@agcouncil.org.

Respectfully,

Emily Rooney
President